HOUSE OF REPRESENTATIVES—*Friday, January 24, 1992*

The House met at 11 a.m.

Rev. W. Douglas Tanner, Jr., executive director, Faith and Politics Institute, Washington, DC, offered the following prayer:

O Lord God, we open this day in the life of this Congress mindful that this is the beginning of a new season, a season in which the direction of our Nation will once again be debated and substantially determined.

We are conscious that the adversarial nature of political campaigns encourages divisiveness at the cost of unity, that the timing of an election encourages the pursuit of short-term advantage at long-term expense, that those decisions most critical to justice and mercy easily become contaminated by fear and self-service.

In this same season, our role in directing the course of this Nation requires the best that is within us.

Lead us, we pray, in this election year, to know the difference between wise policy and foolish politics, and guide our choice between the two with courage and grace. Amen.

POSTPONEMENT OF APPROVAL OF JOURNAL UNTIL TUESDAY, JANUARY 28, 1992

The SPEAKER. Pursuant to the order of the House of Wednesday, January 22, 1992, the approval of the Journal of the last day's proceedings will be postponed until Tuesday, January 28, 1992.

PLEDGE OF ALLEGIANCE

The SPEAKER. Will the gentleman from Mississippi [Mr. MONTGOMERY] come forward and lead the House in the Pledge of Allegiance.

Mr. MONTGOMERY led the Pledge of Allegiance as follows:

I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Hallen, one of its clerks, announced that the Senate had passed with an amendment in which the concurrence of the House is requested, a bill of the House of the following title:

H.R. 3489. An act to reauthorize the Export Administration Act of 1979, and for other purposes.

The message also announced that the Senate insists upon its amendment to the bill (H.R. 3489) "An act to reauthorize the Export Administration Act of 1979, and for other purposes," requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. RIEGLE, Mr. CRANSTON, Mr. SARBANES, Mr. GARN, and Mr. MACK, to be the conferees on the part of the Senate.

The message also announced that pursuant to Public Law 102-138, the Chair, on behalf of the majority leader, appoints Dr. Merle Goldman, of Massachusetts, and Mr. Gene Mater, of Virginia as members of the Commission on Broadcasting to the People's Republic of China.

JAPAN CONTINUES TO FOSTER ILLEGAL TRADE PRACTICES

(Mr. TRAFICANT asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. TRAFICANT. Mr. Speaker, when an American buys a $15,000 car made in the United States, our Government receives more than $6,000 in tax revenue and more than $24,000 in an economic multiplier ripple effect. On the other hand, when an American buys a Japanese import for $15,000 our Government receives less than $400 in tax revenue and no multiplier effect. It is simple mathematics. When an American buys a Japanese import our economy loses over $29,000.

What bothers me, Mr. Speaker, and maybe someone should have a discussion with the Vice President, for some reason he keeps defending the illegal trade practices of Japan. I think it is time for the Speaker to ask the Vice President, maybe he should ask Nintendo why Americans cannot buy a baseball team in Japan. Maybe the Vice President should ask Japanese officials, especially those of the Sumotomo Corp., why American companies do not get contracts in Japan.

The truth of the matter is Japan is still fostering illegal trade. Our country is going bankrupt. Everybody is apologizing. So is Japan. They are bashing America on one hand and apologizing on the other with promises, promises, promises.

Maybe the administration and the White House will figure this out when U-Haul of Tokyo backs up to the White House next year and starts taking their furniture out.

RESOLUTION URGING DEDICATION OF PENTAGON FUNDS FOR ENVIRONMENTAL CLEANUP ACCOMPANYING BASE CLOSURES

(Mr. GEKAS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GEKAS. Mr. Speaker, next week I intend to introduce a sense-of-the-Congress resolution that will urge the President and commend him at the same time for proposing, and we should be supporting, the proposition that Pentagon funds, perhaps 1 billion dollars' worth, should be dedicated to the cleanup of the environment that accompanies the base closures which we all support.

In our own district, there is a serious problem in the old Olmstead Air Force Base, which is now the Harrisburg International Airport complex. A cleanup of that situation there will do two things, and this can happen at every base closure across the country. Environmentally it will bring back to a stable environment the hazardous waste and other materials that have been stored there and have been polluting the area. That is good news for the environment. Second, it will encourage and give incentive for economic development in the very same areas where base closures will be turned into private business enterprises that will create jobs and stimulate the economy.

We applaud the President for his initiative in seeking these Pentagon funds for base closures, and we urge that the Members of the Congress join in the sense-of-the-Congress resolution which we will introduce next week.

COOPERATION BETWEEN THE WHITE HOUSE AND THE CONGRESS ESSENTIAL IN SOLVING AMERICA'S PROBLEMS

(Mr. MAZZOLI asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MAZZOLI. Mr. Speaker, next Tuesday night just a few feet from where I am standing, the President of the United States will address a joint session of Congress, the country, and the world in the speech called the State of the Union Address.

A little historical note. For over 100 years, from the Presidency of Thomas Jefferson to that of Woodrow Wilson, the Presidents did not personally visit with Congress. They prepared an annual address and submitted it in writing to Congress.

In any event, next Tuesday, the President will give a State of the Union speech. In this morning's Post it was suggested that in fact this will be not so much a State of the Union as a state of the Presidency speech. In a sense, will the President be able to identify the problems facing this Nation and also delineate the solutions to those problems.

One way or the other, solutions will take cooperation. I certainly hope the President can identify the problems. I certainly hope that he will receive cooperation from us and from the Nation in solving the problems, because the perils of not cooperating are just too great to contemplate.

So when we visit next Tuesday with the President, we will be visiting in a spirit of trying to solve America's problems.

□ 1110

BEST WISHES TO PAGES ON GRADUATION

The SPEAKER pro tempore (Mr. LAUGHLIN). Under a previous order of the House, the gentleman from Kentucky [Mr. MAZZOLI] is recognized for 5 minutes.

Mr. MAZZOLI. Mr. Speaker, today is a happy day and today is a sad day. It is a happy day because this evening our pages will graduate and visit with one another and with their families in a very happy sense and reminisce and talk about their experiences on the Hill during this semester that they have been our pages.

But, it is a sad day for those of us who have had the honor of commissioning pages and to work with them, as in the case of this gentleman from Kentucky, who has had that particular pleasure and honor, because they are leaving to return to their homes.

I just would mention to those who might be observing the proceedings today who may not be familiar with the page program, it is a program which is steeped in history, and yet it is as modern as tomorrow.

It is steeped in history because it began many years ago when it became quite clear that this body, this assembly, needs assistance in very special ways and in ways that only young people can fulfill.

But, it is also as modern as tomorrow in the sense that these young people, who have been with us as our friends and assistants for these many months, will go out into the world, of course first completing their schooling, but go out into the world and accomplish for the world what needs to be accomplished, which is to solve many of the problems of health care, of economic matters, of hunger, to really try to make the lot of the world better and the lot of the people in this world better.

So just as we have welcomed these young people last August and September when they came from the far-flung points of the country, we Members today in person, and certainly in absentia, take this moment to extend to them our thanks and our heartfelt appreciation for what they have done for us in making this House work.

I recall, Mr. Speaker, as does the Chair, too, just a few months ago when this Chamber, as well as the other body, worked literally all night long—all through the evening into the hours of the morning, and I think even early afternoon—before we completed the work of the first session. In attendance in various groupings through that night and the morning and the afternoon were our pages. So they have seen this place up close. They have seen the Members in very close proximity.

They take with them back home to the various towns and places in which they live our admiration for the job they did, certainly our love and affection and our very best wishes that they have success in the classrooms, and even more important than success in the classrooms—these young people are the cream of the crop and, therefore, their success in that setting is established—is success in the sense that they will use some of what they have learned on Capitol Hill in these last few months, particularly that if people do come together and put their wisdom and their talents and energies together, then collectively they do have a chance to at least nibble away at the edges of the problems of the world. We may not solve them with the silver bullet as it is said, but at least, when it is all over and at the end of the day, we have done a little something to make this place better. That is what we wish for these young people, these outstanding, fine young men and women one of whom I would name, my own page, April Patterson from Louisville, KY.

We wish for them continued good health, continued good fortune and great success in helping all of us solve the problems of the world. The departing pages are:

DEPARTING PAGES FOR FALL 1991–92

Lucy Abbott.
Roni Abdul-Hadi.
Leslie Biltekoff.
Lindsay Campbell.
Alisha Clester.
Michael Connors.
Kelly Creeden.
Michael Demetriou.
Sonal Desai.
John Dinusson.
Sean Dooley.
Kevin Eckstrom.
Heidi Eichhorn.
Julie Flahive.
Bryn Floyd.
Michael Froehlich.
Emily Goldwasser.
Margaret Hauselt.
Jonathan Hinze.
Christopher Hoff.
Stacy Hooks.
Desiree Humphreys.
Thea Iacomino.
Nathan Just.
Paul Kelley.
Michael Margolis.
Robyn McCoy.
Fritz Musser.
Mark Paige.
April Patterson.
Kelly Pfaff.
Christopher Reed.
Jade Riley.
Michael Romansky.
Meg Rothman.
Claire Shamblin.
Keysha Smith.
Rachel Sontag.
Dax Steele.
Tyson Taylor.
Matthew Thompson.
Samantha Tompkins.
Amy Turnbull.
Lambert van der Walde.
Brandon Vasquez.
Laura Ward.

GETTING AMERICA BACK ON TRACK

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New Jersey [Mr. SAXTON] is recognized for 60 minutes.

Mr. SAXTON. Mr. Speaker, early next week, this House will be back in session to do business. There is nothing more urgent than putting America back on the track of gaining employment, helping our gross national product to expand and generally getting America back to work.

During the Christmas recess all of us have had the opportunity to hear from our constituents. We also have heard from people who are economists in the sense that they deal with the economy either in an academic way or in a hands-on way, such as bankers, retailers, and realtors.

I do not know about the rest of you, but I have taken advantage as fully as I can of the opportunity to be outside the beltway, to find out what it is that has happened with our economy and to try to draw some conclusions, concerning the best way to address these problems once again.

I have listened intently. I have listened to other Members of this House. I have listened to those who were involved in academia, who study economic trends, and I have listened to my constituents. I have heard there are many things that many different people believe ought to be done to address the ills, to address the problems that are involved with unemployment, to address the problems that are involved with people who are afraid that they are going to become unemployed, that they are going to lose their jobs.

I read in a newspaper back in New Jersey recently that over the last year, 1 in 5 Americans has lost a job, and hopefully regained one somewhere else, but in some cases that has not happened, either.

There are a number of different ideas about what we ought to do to address this problem. I have listed a few, because I think they are important, too.

I heard someone say not long ago, a Member of this House, that we have got to do something about the deficit. That is absolutely true. We have a deficit situation today that is different than it has been in the past. When I was elected to this House in 1984, the deficit was much less than it is today. In 1980, we thought it was horrible that we had about a $60 to $70 billion deficit. At the end of this year, it is projected that our deficit is going to be somewhere in the neighborhood of $400 billion.

Yes, deficit reduction is important. Somebody else said that we cannot do business in our country because there is too much government regulation. I agree.

The bankers who we deal with and who we talk to on a daily basis today will tell you that they are afraid to do business because of the regulators. One banker told me not long ago that the regulators were like hawks sitting on their shoulders and the minute they do one thing wrong, the hawks are there to pounce on them.

So banking reform and regulation is certainly something we need to deal with, and regulation throughout our regulatory structure has become a burden. We need to do something about that.

Tort reform, the President mentioned as the No. 1 item in a news conference not long ago, that we need to address the subject of liability reform and tort reform, because throughout our society, whether it is in the area of medical care and medical malpractice insurance, products liability insurance, automobile insurance, you name it. One of the problems that our business has in being competitive with those that we compete with overseas is that we are subject to very, very high insurance rates, and something needs to be done about that. Tort reform is important, too.

Education and retraining, to retrain our work force as technology changes, to retrain our work force to be better able to compete in terms of international trade, again is important, and I agree with that.

Foreign trade, the President just got back from Japan. He did that I suspect to demonstrate that we need to do something to affect the balance of trade. We have talked about that for many years. It is important, too.

We just passed in this House and the President signed into law a public works bill known as the Transportation Act that hopefully in the months ahead will begin to put people back to work, and that is important, too.

Something else has been mentioned along with these things, and that is to reinstate a system in our Tax Code that is an incentive to put people back to work, that is an incentive to help business grow, and that is important, too.

□ 1120

When I look at this list of things that I have been able to kind of compile, at least for myself, I look at deficit reduction and Government regulation, banking reform, tort reform and education, and the just-passed transportation bill and any number of other things that this House has tried to deal with over the years.

So I think, for example, that coming back into session at the end of January, and solving the deficit problem by March is wishful thinking. I would like to think that we are going to do that in the first quarter of the year to help the economy, but I am a realist. If we think we are going to do it through Government regulation, which is something that is important, on which we all agree, but if we think we are going to come back in the first quarter of the year and solve the regulatory problems, I think it is just wishful thinking.

I think if we are going to really reform the banking system in the first quarter of the year or if we are going to do anything quickly about tort reform or any of these other things that we tried to deal with in the past, I just think it is wishful thinking, but I think there is hope, there is something that we can do, because it has been done in the past.

In the last few days, during the holidays, in the last part of December, I had some time that I could reflect on the things that I have seen and heard during the previous month or so. I began to look at what happened in other recessions.

How do we get into them and how did we deal with them and how did we fashion programs to help ourselves get out of them?

I went all the way back to the 1950's, with the help of my staff and with the help of some individuals and other organizations such as the Heritage Foundation and the Republican Study Committee—and I began to look at those recessions in order to determine what caused them.

I went all the way back to 1950 and looked at the economy. During the 1950's, we were just coming out of a wartime economy due to the Korean war and World War II. During those periods of time, in order to finance those wars, we had raised taxes.

During the Eisenhower administration, the Federal Government was trying to adjust from a wartime economy that had been a long-term thing relative to a peacetime economy, and that peacetime economy was different than it had been in the decade of the forties. But one necessary change that we were able to identify, in retrospect, that was not changed during the fifties, was the high level of taxes. So we began to look at, or Congress did, and in 1960, when the recession began to find its way out of the doldrums and into the early sixties, the economy was still very sluggish, America was not working, the rate of unemployment was on its way up.

Let me just read one quote from the 1960's which demonstrates the thinking of the leadership of our country, about what we ought to do about that recession.

This quote says:

> I am convinced that the enactment this year of tax reduction and tax reform overshadows all other domestic problems in this Congress, for we cannot lead for long the cause of peace and freedom if we ever cease to set the pace at home. I am not talking about giving the economy a mere shot in the arm to ease some temporary complaint. This tax cut will increase the purchasing power of American families and business enterprises all across our country. It will encourage initiative and risk-taking, on which our free system depends; induce more investment, production, capacity use; it will help provide 2 million jobs we need to create every year and reinforce American principle of additional reward for additional effort.

Reinforce the American principle of additional reward for additional efforts.

If that sounds like something that would have been said during the last decade, it may surprise some people that it wasn't. I might surprise some of you to say that was from the State of the Union Address in 1963, and it was John F. Kennedy suggesting to the Members of this House at that time that what we needed to put the economy back in shape, to create jobs, 2 million jobs a year was his goal, and to do it by adjusting the Tax Code to create incentives for people to go back to work, to have money in their pocket to spend on consumer goods.

Unfortunately, John Kennedy did not live to see the fulfillment or the enactment of his program. It was done by this Congress and by LBJ, Lyndon Baines Johnson, when he became President.

But that program did go into effect. As John Kennedy suggested, we reduced the maximum tax rate from 91 to 70 percent and the lower tax rate, or the lowest tax rate, from 20 to 14 percent, to give Americans a boost, to give them more money to spend.

But, in addition, and of no less importance—perhaps of more importance—the corporate tax rate was reduced from 52 to 48 percent.

Now that may sound like just a small amount, but 4 percent, if you were to tell or if I were to tell or if any one of my colleagues were to tell business entrepreneurs across our country that we were going to provide a way for them to get 4 percent more capital, 4 percent more money to spend on capital goods or to pay their employees or expand their businesses, it would be something that would be quite significant.

As part of the package back then, they also broadened the existing investment tax credit, something we are talking about doing again today.

And the results were quite dramatic. Let me recite to you a couple of numbers, that show what happened. In 1963 growth rate of the gross national product was 4 percent. The next year, the new tax program went into effect, and immediately the rate of the gross national product rose to 5.3 percent; the next year, in 1965, it rose to 5.9 percent; and the next year, 1966, it stayed at 5.9 percent, almost a 6-percent growth in gross national product.

Now, if you want to look at one other indicator which I have identified, you can look at growth in jobs as demonstrated by unemployment rates. In the 1950's following the Korean war, the average rate of unemployment was about 4.4 percent, but then it grew in 1963 to 5.7 percent. In 1964, the year after the tax changes went into effect, the rate of unemployment dropped to 5.2 percent, and in the next year 4.5 percent, and finally by 1966, 3.8 percent.

I think that that is a dramatic lesson that we can learn.

Let me talk about another recession for just a few minutes. Let me talk about the recession that came on in the late 1970's and took place during the early 1980's. It was not unlike John Kennedy's statement when he was trying to fashion a program to get us out of the prior recession; another gentleman who happened to be of the opposite political party said, in his election campaign in 1980, "I think I know what is wrong with the economy. I think taxes are too high."

This time it was not the result of a wartime economy and taxes in place to support, it, it was brought on by the increases in taxes that were necessary to support our Social Security System, and it was a result of something called bracket creep, increased taxes because inflation made taxes go up and took dollars out of Americans' pockets, sending the dollars here for bureaucrats to spend instead of letting Americans spend the dollars themselves.

But the fact of the matter is that once again we had slid into a recession that was symptomized by double-digit inflation, by unemployment rates that went through the roof, and by interests that topped out at 21 percent.

That was the misery index.

Ronald Reagan said much the same thing John F. Kennedy said during his campaign and in his State of the Union Address in 1963.

Finally, in 1981, Ronald Reagan said these tax reductions which he had proposed are essential to restoring, strengthening our growth in the economy by reducing the existing taxpayers' burden which discouraged work, discouraged savings, and discouraged investment.

Individuals, he said, are the ultimate source of all savings and investment. Lasting economic progress, which is our goal, depends on our success in encouraging people to involve themselves in productive behavior. As we went back into session, as the Congress at that time went back into session and that tax package started to take form, on a bipartisan basis—this House was controlled at the time by the Democrat Party and the other House was controlled by the Republican Party. As a result of that bipartisan effort in 1981 and 1982 and 1983, just as the 1963 package went into place, individual taxes were reduced in 1981 by 5 percent, 1982 by 10 percent, and 1983 by 10 percent.

□ 1130

The maximum tax rate on capital gains was reduced from 28 percent to 20 percent to encourage growth. Income tax brackets—remember bracket creep—income tax brackets were increased to do away with the possibility of bracket creep, and one of my favorites, a 25-percent tax credit was put into place for research and development activities that took place in the private sector. And, just as in 1964, the economy began to turn. Again in 1984 the economy began to turn.

I will point out a couple of statistics, and I will try to do it quickly because I know statistics get boring. But if one looks at the poverty level during those years leading up and through that recession, an interesting trend can be seen. The poverty level in 1988 was 11.4 percent. It grew in 1979 to 11.7 percent, to 13 percent in 1980, to 14 percent in 1981, to 15 percent in 1982, and the poverty level topped out in 1983, the year before the tax changes took effect, at 15.2 percent. In 1984 the tax changes went into effect, and the poverty level began to drop to 14.4 percent, to 14 percent the following year, to 15 percent the following year, all the way down to 12.8 percent in 1989.

And if one looks at another parameter of growth, and looks at growth and GNP, in 1980 we had a negative, two-tenths of 1 percent decrease, a negative growth, if there is such a thing in our economy. In 1981, a 1.9-percent increase in growth, but then in 1982 we were muddling along, and we lost another 2½ percent in terms of a negative growth. But in 1984, the year after the tax cuts took effect, people started to go back to work, and earn pay checks and pay taxes to this country. All those healthy things started to happen. And in 1984 the growth in the gross national product was 6.8 percent, and it continued to grow throughout the 1980's, and the 1980's have been named by most people as the period of time in which we had the longest sustained period of peacetime economy growth in the history of our country.

So, Mr. Speaker, there are lessons to be learned from history. There are lessons to be learned from what we have done, or what this House, and the other House and the administration have been able to do in the past to put us back to work. But there is another lesson to be learned as well because through the 1980's, as we prospered, we began to do other things as well.

I have heard opposition Members say, "Yeah, but look at where we are today, look at where we are today," and I agree. It is important to look at where we are today, but it is also important to look at how we got here.

Mr. Speaker, we got here, in my opinion, because we did not let well enough alone in terms of what we did in 1981, 1982, and 1983 to put ourselves in a growth mode. In 1986, we began to change that. We had something called tax reform. It was something that was talked about all across the country. It was going to simplify the Tax Code, going to make the Tax Code fairer, and we were going to reform taxes.

And we reformed taxes, and I think it would perhaps take on a different meaning and a different name today as we look back at what was passed in 1986, because during those years, during that Tax Code reform period, not only did we reform and change the Tax Code; essentially what we did was did was increase taxes. We increased the maximum rate on capital gains back to 28 percent. We eliminated the investment tax credit that has been put in place during the previous period. We cut the value of depreciation allowances by lengthening asset lives of capital assets. We restricted IRA investments. And, as a result of the 1986 changes which finally went into effect fully in 1988, the economy began to become sluggish, and GNP growth started to tail off.

Mr. Speaker, we started to find out that we were not creating the same number of jobs that we had in the previous years before those tax changes went into effect, and so we can look at those tax changes as something that at least were a significant part of leveling off the wonderful growth that we had had during the years of the eighties.

But we were not finished, because in 1990, when we passed another change in the Tax Code, which was part of something known as the Budget Reconciliation Act, we changed things again, or maybe I should say we changed them some more because we increased or extended 25 taxes. We increased individual income tax rates, we phased out personal exemptions, or began to, we limited the itemized deduction on our income tax rates, we extended the telephone excise tax so that today, when Americans open their telephone bill, another line item appears there. It is a tax that comes to Uncle Sam. We increased the Medicare wage cap so that that 1.4, almost 1½ percent, now extends on up the code, and we did something that I believe today is the best example of bad tax policy the Congress of the United States has ever passed.

Mr. Speaker, we created something called a luxury tax, to make the rich people pay more of their fair share. It seems very simple. We will just put a surtax on the things rich people buy. We will tax boats, we will tax expensive cars, we will tax furs, jewelry, and all those things.

Guess what? At least in my State it backfired. New Jersey was at one time the third biggest boat-building State in the country. A large part of our economy was based on that. People were working productively. There were skilled craftsmen building expensive boats. Guess what? People that could afford to buy those boats looked at what we had done, and they said, "Well, I didn't get so that I could afford to buy an expensive boat by doing foolish things, and I've got a $500,000 boat, and I'd like to upgrade to a $700,000, but I think Uncle Sam tells me, if I do so, I've got to pay a $70,000 tax, and I didn't get so I could buy an expensive boat," said those people, "by doing foolish things, and so I'm going to go float around the Atlantic Ocean on my $500,000 boat, and I'm not going to buy the new one."

So, Mr. Speaker, we went from being a very big boat-building State to a State just like all the others in the country who build no boats today. That is a good example of what we did to America with the tax changes that took place in 1986 and with the tax changes that took place again in 1990, and so those are three lessons that we can learn from history.

There are some things that we can do. I believe that just as we did in 1963, and just as we did in 1981, and 1982 and 1983, we can change the Tax Code again because we are back where we were then, again because of Tax Codes that do not encourage things to happen for the economic good, for the creation of jobs for Americans. We can change things. We can change the income tax rates again that we did wrong. We can reduce the capital gains tax, as we did in 1981. We can create incentives to save again with changes in the IRA Program. We can reinstate the passive loss rules. Another problem that we have, of course, is banking reform and the RTC.

□ 1140

In my opinion, before the RTC problems are going to resolve themselves, people have got to want to buy real estate again, and we can do that by changing the passive loss rules. And we can provide investment tax credits to people who want to invest, and we can do a lot of other things, including repeal of the luxury tax that has put hundreds, if not thousands, of my friends and neighbors, my constituents, out of work.

I would once again suggest that these are not just things I thought of. They are not solely Republican ideas, they are not solely Democrat ideas. John F. Kennedy recognized what could be done. At that time I am reminded that they called it Keynesian economics. Ronald Reagan had some of the same theories. At that time it became known as supply-side economics. But the theory or the principle is the same.

Today, we find ourselves as in 1983 suffering from a malaise of entrepreneurs who are not anxious to invest, as they were in 1983 and as they were in the late 1970's. So we can make those changes.

Let me just conclude by suggesting that there are those who would argue that this will not work. There are those who will argue that if we do this, somehow we are going to put our economy into worse shape. And the thing they point to is that there are deficit problems with the way we spend money in this House, and that by reducing tax rates or by putting incentives back in our Tax Code, we are going to increase our deficit dramatically.

I would just like to point out very quickly in conclusion that that is not true, in my opinion, and I think it was proven not to be true in both instances I have talked about here this morning. The Treasury said to John Kennedy: "If you put those tax cuts, those tax incentives, into place over a 6-year period, it will cost our Treasury $89 billion."

Well, Mr. Speaker, the 6 years came and went, and at the end of the 6-year period we had not lost $89 billion; we had gained $51 billion. Why? Because it put people back to work, and when people went to work, they had paychecks again. My boat workers, if they had been unemployed at the time, would have been back to work. If that terrible injustice had been created back then and had been straightened out, they would have been back to work. They would not only have been back to work bringing paychecks home and buying things, they would have been paying taxes, and as they pay taxes, good things happen in the economy and good things happen to the revenue that comes into Washington, DC, to deal with our problems.

The same thing happened in 1983, in 1982, and in 1981. There were those on this floor who had doubts. In fact, I have been reminded recently that the chairman of the Ways and Means Committee, Mr. DAN ROSTENKOWSKI, said this back when Ronald Reagan's tax plan and the Kemp-Roth tax package were being debated:

> Make no mistake about it, this is the President's bill. It outlines a bold and risky economic strategy. Only time will tell whether the risks involved were worth taking.

Mr. Speaker, the result has been the longest sustained period of economic growth in the country's history.

So as we look at this, we can see that there are good things that can happen if we follow this path. On the revenue problem again, in the 1980's it was said: "You can't do this. You are going to lose money beginning in 1984." Well, our revenue stream began to grow because once again people went back to work. After the recession of the late 1970's and early 1980's, people went back to work and began to earn money again. They began to pay income taxes again, and our revenue stream increased between 1984 and 1990 each year an average of $60 billion a year.

So, Mr. Speaker, again these ideas are not new. These ideas are things that are tested over time, that have been successful over time. Next week, when we get back to work, I hope to address the problems of our economy. These lessons from history will be something that we can look at in fashioning new economic policies that will be good to take us into the 21st century.

Mr. Speaker, I include at this point my paper entitled "A Strategy for Economic Growth," as follows:

A STRATEGY FOR ECONOMIC GROWTH

(By Congressman Jim Saxton)

Economic cycles and downturns are an unfortunate part of our system. Over the years, we've had our ups and downs. Downturns occurred during the '60s, the late '70s and early '80s, and now again in the early '90s.

A decade ago, the economy was in trouble. In some respects, it was much as it is today. Unemployment was high, as it is today, but so, too, was the rate of inflation—and interest rates reached unparalleled heights, causing a "credit crunch."

It is clear that while there are some similarities, there are also a number of differences. For example, today there is a different type of "credit crunch." While interest rates are low, loans are too seldom made because of bank regulatory structures. In addition, because of the lack of investor and consumer confidence, credit is not in demand as people feel the need to conserve.

The President speaks of a number of initiatives which will help with economic remedies. In a recent press conference he outlined a series of issues which he believes need attention in order to help the economy grow. He spoke at length about deficit reduction, government regulation (local, state and federal), banking reform, tort reform, education, foreign trade (the need to drive down trade barriers), the just-passed transportation bill (a jobs bill) and tax incentives.

Each of these issues is complex, and each is a subject which has been the topic of discussion for most of modern political history. Congress has dealt with all of them, some successfully, but most rather unsuccessfully.

We can learn much by looking at the last decade of Congressional activity. Some things have worked well, and others have not. Need anyone be convinced about our disastrous efforts in deficit reduction, reduction in regulation, banking reform, tort reform, balance of trade or progress toward a Republican Congress?

However, there is one course of action which has been proven effective. Taken in conjunction with all the factors which the President mentions, it is clear that the only item which stands out as historically successful in changing the course of the economy is tax incentives.

I don't speak just about tax cuts, I talk about tax incentives—incentives to make the economy grow—incentives intended not just to cut the economic pie differently by reducing taxes on some and raising them on others, but incentives to make the entire pie bigger.

This is not a revolutionary concept. It was used in the 1920s, then again, in the early '60s, when John F. Kennedy said in a speech to the Congress:

"I am convinced that the enactment this year of tax reduction and tax reform overshadows all other domestic problems in this Congress. For we cannot lead for long the cause of peace and freedom if we ever cease to set the pace at home. . . . I am not talking about giving the economy a mere shot in the arm to ease some temporary complaint. This [tax cut] will increase the purchasing power of American families and business enterprises. . . . It will, in addition, encourage the initiative and risk-taking on which our free system depends; induce more investment, production, and capacity use; help provide the two million jobs we need every year; and reinforce the American principle of additional reward to additional effort." (*The State of the Union Address, 1963*)

And, it worked:

Kennedy Tax Cuts (1963)—All tax bracket rates reduced:

Selected rate cuts:

Cut 91 percent bracket to 70 percent;

Cut 75 percent bracket to 62 percent;

Cut 50 percent bracket to 42 percent;

Cut 30 percent bracket to 25 percent;

Cut 20 percent bracket to 14 percent.

In addition, and of no less importance, the corporate tax rate was reduced from 52 percent to 48 percent and the existing investment tax credit was broadened.

Note: Tax cuts were passed after President Kennedy's death.

Results:

Real GNP growth: 1963, 4.0 (before tax cuts); 1964, 5.3 (after tax cuts); 1965, 5.9 (after tax cuts); 1966, 5.9 (after tax cuts).

Unemployment: 1950's 4.4 percent (average); 1963, 5.7 percent (before tax cuts); 1964, 5.2 percent (after tax cuts); 1965, 4.5 percent (after tax cuts); 1966, 3.8 percent (after tax cuts).

Note: Created 4.1 million new jobs.

Revenue Growth:

Treasury Prediction—$89 billion (loss over 6 years).

Actual Results—$54 billion (increase over 6 years).

You and I know that we have been beneficiaries of tremendous growth during the decade of the '80s. And again, we can point with certainty to tax incentives which served as the basis for the decade of growth, this time under the leadership of Ronald Reagan. Not unlike John Kennedy, President Reagan recognized that the behavior of people and businesses is influenced in economic terms by their long-range expectations. In 1981 Reagan said to Congress:

"These rate reductions are essential to restoring strength and growth to the economy by reducing the existing tax barriers that discourage work, saving, and investment. Individuals are the ultimate source of all savings and investment. Lasting economic progress, which is our goal, depends on our success in encouraging people to involve themselves in this kind of productive behavior." (*Congressional Quarterly: Almanac, 97th Congress*, Volume XXXVII, 1981, p. 19–E)

And yet, not everyone agreed. Representative Dan Rostenkowski, in debate on the Reagan tax package, said, "Make no mistake about it . . . This is the President's bill. It outlines a bold—and risky—economic strategy. Only time will tell whether the risks involved . . . were worth taking."

You and I can now be the judge. Today, a decade later, we look back on the longest period of peacetime economic growth in history. Let's consider the facts:

Fact No. 1: As a result of unwise economic policies of the '70s, the poverty rate rose from 11.4 percent in 1978 to 15.2 percent in 1983. However, after 1983 when the Reagan tax cuts took full effect, the poverty rate plummeted to 12.8 percent in 1989.

Percent of all persons below poverty level

Year:	*Poverty Rate*
1978	11.4
1979	11.7
1980	13.0
1981	14.0
1982	15.0
1983	15.2
1984	14.4
1985	14.0
1986	13.6
1987	13.4
1988	13.0
1989	12.8

Fact No. 2: As the table below shows, before the tax cuts of the early '80s took effect, every income class lost income, especially the bott m fifth of households. However, as the table illustrates, all income groups benefited after the tax cuts kicked in. Thus, as President Kennedy once said, "A rising tide lifts all boats."

PERCENTAGE CHANGE IN AVERAGE HOUSEHOLD INCOME BY INCOME CLASS

[In 1990 dollars]

Year	Bottom fifth	Second fifth	Middle fifth	Fourth fifth	Top fifth	Top 5%
1978–82	−8.2	−5.4	−5.2	−3.8	−1.1	−3.2
1982–89	+12.6	+10.7	+11.1	+13.0	+20.5	+28.8

Source: "Money Income of Households, Families and Persons in the U.S.: 1990;" Bureau of the Census, August 1991.

Fact No. 3: The rate of economic growth increased at a rapid pace after the tax cuts of the early '80s went into effect.

Growth rates expressed as percent of GNP in constant dollars

Period:	*Percentage*
1980	−0.2
1981	1.9
1982	−2.5
1983	3.6
1984	6.8
1985	3.4
1986	2.7
1987	3.4
1988	4.5
1989	2.5
1990	1.0

Fact No. 4: Many opponents of the tax cuts of the early '80s assumed that since the tax rates for wealthy taxpayers declined from a high of 70 percent, the "rich" must have paid less in tax revenues. And, since the "rich" paid less, the "poor" paid more. However, as the table below shows, the "poor's" tax burden, which is the percent of total taxes paid decreased from a high 7.5 percent in 1981 to a low of 5.7 percent in 1988. This shows that the assertions levied by opponents of tax cuts of the early '80s were incorrect.

TAX BURDEN BY PERCENTILE

Wage earner year	Top 1 percent	Top 5 percent	51–95 percentile	Bottom 50 percent
1981	17.6	35.1	57.4	7.5
1982	19.0	36.1	56.5	7.4
1983	20.3	37.3	55.5	7.2
1984	21.1	38.0	54.6	7.4
1985	21.8	38.8	54.1	7.2
1986	25.0	41.8	51.6	6.6
1987	24.6	43.1	50.8	6.1
1988	27.5	45.5	48.7	5.7

Source: A U.S. Senate staff report and the Internal Revenue Service.

If John F. Kennedy and Ronald Reagan can agree in concept with regard to economic growth tax policy, and if in the cases of both presidencies the concept worked, then why are we where we are today?

First consider the provisions of the tax cuts of the early '80s.

TAX CUTS OF THE EARLY '80S—MAJOR PROVISIONS

Reduced individual income tax rates: 1981–5 percent; 1982–10 percent and 1983–10 percent.

Reduced maximum rate on capital gains from 28 percent to 20 percent.

Indexed individual income tax brackets.

Extended the period an individual can defer taxes on proceeds from sale of primary residence.

Allowed partial exclusion of foreign earned income.

Created Accelerated Cost Recovery System for depreciation.

Allowed expensing by small businesses of new or used machinery and equipment.

Allowed 25 percent tax credit for research and development.

As previously demonstrated, the economy began to grow in '82 and '83, and continued to grow until it began to soften in '88 and '89. What caused it to soften in '88–89? One need look no further than the Tax Reform Act of 1986 which took effect in 1987–88 to understand why. The positive effects of the policies put in place in the early '80s were undone and counteracted.

1986 TAX REFORM ACT—MAJOR PROVISIONS

Increased the maximum rate of tax on capital gains.[1]

Eliminated the investment tax credit.[1]

Enacted a passive loss limitation provision.

Cut the value of depreciation allowances by lengthening asset lives.[1]

Created corporate and individual alternative minimum taxes.

Restricted IRA investments.

Enacted strict foreign tax provisions.

Then, with the economy showing signs of a downturn and under pressure to reduce the deficit, Congress in 1990 passed the largest, most far-reaching tax increase in the history of our country.

1990 TAX INCREASES—MAJOR PROVISIONS

Increase in individual income tax rates.

Phase-out of personal exemption.

Limit on itemized deductions.

Repeal of deduction for cosmetic surgery.

Increase in excise tax on motor fuels.

Increase in "gas guzzler" tax.

Increase in tobacco excise taxes.

Increase in excise taxes on alcoholic beverages.

Creation of Luxury Tax.

Expansion of excise tax on ozone-depleting chemicals.

Extension of Leaking Underground Storage Tank excise tax.

[1] Stephen Entin, resident scholar at the Institute for Research on the Economics of Taxation (IRET), estimates that these three changes alone deprived the economy of some $300 billion in investment capital over the last 5 years.

Increase in Airport Trust Fund excise taxes.

Increase in harbor maintenance excise tax.

Extension of telephone excise tax.

Revised treatment of salvage value for insurance companies.

Amortization of acquisition costs of insurance firms.

Compliance provisions for foreign-owned firms.

Retiree health provisions.

Increase in interest rate applicable to corporate underpayment of tax.

Corporate tax provisions.

Extension of Social Security to certain State and local employees.

Extension of unemployment surtax.

Increase in Medicare wage cap.

Extension of statute of limitations for collections.

Change in the treatment of U.S. beneficiaries of foreign trusts.

The problem with the economy then, as I see it, is multi-pronged.

To facilitate long-term recovery, we must address all of the issues the President talks about: regulation, banking reform, tort reform and all the others. I want to be part of that, and I will be heard!

But, for now, we should deal with those areas which will produce immediate yet lasting results, areas such as tax incentives, with which we have had past success.

EXAMPLES OF TAX INCENTIVE PROPOSALS SUPPORTED BY MANY MEMBERS OF THE HOUSE

Cut income tax rates

Do you remember the tax cuts of the early '80s—the tax cuts that gave Americans more to spend? The increase in spending provided a much needed boost to the economy.

Senator Bill Roth, the architect of those early '80s tax reductions, has suggested reductions again, and I agree. He and I have each sponsored bills to provide for such a stimulus.

Similar legislation worked effectively in the early '60s during the John F. Kennedy Administration. It worked again when initiated by the Reagan Administration. It is needed now to give the economy a boost and put America back to work.

Reduce capital gains rate

If you were asked to make an investment—perhaps a risky one—and someone told you they were going to take almost a third of your profits when all was said and done, would you make the investment?

Probably not.

Yet that is what our capital gains tax policy does. That's why we need to change it. We need to encourage investment and expansion, not discourage it.

We are part of a large global market and must compete with foreign governments. Germany has no capital gains tax, and Japan's is a mere five percent. Ours is 31 percent. If we expect to compete on a level playing field, we should reduce the capital gains rate.

Create super IRA's

The foundation of any nation's economy is the savings from which investors can draw necessary capital. Unfortunately, Americans have been saving less and less over recent years—much less than Japanese citizens—and the results are showing in the lack of investment capital.

A Super IRA would induce Americans to save by making withdrawals for a first home or for a child's education tax exempt.

Reinstate passive loss provisions

The existing passive loss limitations create a tremendous deterrent to investment in housing. Current law limits deduction of losses and credits generated by passive activity. A passive activity generally is defined as any activity in which an investor's interest is primarily financial. This provision has contributed to a serious decline in investment in housing as the value of syndicated investment has fallen dramatically. It is argued that this contributed to the S & L crisis, as well as the lowest level of multi-family housing production on record.

Provide investment tax credits

Current law allows an investor to depreciate the value of a product over its useful life. By allowing investors the chance to take a tax credit (5%, 7%, 10% or whatever) in the first year, along with the usual depreciation over its useful life, an incentive to invest in productive equipment is created. Additionally, by targeting the tax credit toward specific industries and/or products (American companies, trucks, etc.), the tax credit can help jump-start a floundering sector of the economy, and the economy as a whole.

Repeal the tax on boats and cars

One component of last year's budget agreement which backfired was the "luxury" tax on items such as boats and automobiles. Touted as a way to make the rich "pay," the luxury tax has done nothing but put hard-working Americans out of work. Instead of paying the tax, people simply have stopped buying new luxury boats and cars.

In New Jersey, the boat building industry has been hit especially hard by the effects of the luxury tax. Once prosperous boat-building yards are closed for all practical purposes, and people are out of work.

The luxury tax must be repealed so that we can get American industry back on its feet and put Americans back to work.

CONCLUSION

It is important to conclude by addressing two issues. One issue might be called a myth. That myth is very simply a common belief that increasing taxes increases revenue to the federal government; and, therefore, that decreasing taxes decreases revenue to the federal government.

Strangely enough, just the opposite is true. When economic growth takes place, tax revenues increase. That was demonstrated in the '60s, and it was demonstrated clearly again in the '80s, after the tax cuts of '81, '82 and '83. Revenues began to grow in 1983 and continued through the end of the decade. People were back to work, they were earning more money, and they were paying more taxes, which resulted in an additional average of $60 billion in revenues each year.

The deficit issue is therefore not a result of decreased revenues, it is a result of increased federal spending or outlays. The graph which follows demonstrates vividly how expenditures outgrew even increased revenues during the decade of the '80s.

The second issue is that we recognize that one way government can quench its thirst for tax dollars is by limiting growth in government spending, and by searching out and cutting waste.

It is estimated that next year's budget deficit will be between $370 and $400 billion. This means the federal government will be spending $1 billion a day more than it takes in. This year's deficit alone is larger than the entire 1976 federal budget ($372 billion).

When I was elected to Congress in 1984, I immediately became a supporter of a constitutional amendment to require a balanced federal budget, and I continue as a strong supporter of this concept.

Additionally, during last year's budget debate, there was a proposal which I helped to advance known as the "four percent solution." In essence, it would provide for a spending plan which would have limited increases in spending to approximately the percentage of increase in the cost of living. It would have required no new taxes, and would have moved us toward a balanced budget. Unfortunately, this approach was put aside and, instead, the huge tax increases of 1990 were enacted.

Modern history has shown us that our tax code can be a useful tool in helping to formulate economic policy. With the second half of the 102nd Congressional Session ahead of us, we can, and should, adopt policy based upon hard lessons learned.

STIMULUS FOR ECONOMIC GROWTH

The SPEAKER pro tempore (Mr. LAUGHLIN). Under a previous order of the House, the gentleman from New Mexico [Mr. RICHARDSON] is recognized for 60 minutes.

Mr. RICHARDSON. Mr. Speaker, my subject today is also the economy, and I will not take the entire 1 hour.

As we return from our recess and as we await with anticipation the President's State of the Union Message, and because members of my party have been ardently working on a middle-class tax package that will provide an instant stimulus to the economy to get us out of this economic mess and this recession we are in, I would like to suggest, as a Member of this body, some alternatives, some options, and a plan which I have developed with some of my advisers that hopefully will be considered in the days ahead. Some of these ideas are not entirely new. What this represents is a compendium of what I consider to be some good ideas that have already been discussed but that I believe this body should consider.

I would divide my discussion into three parts: What we can do for an instant stimulus for the economy; second, what we should do in terms of long-term economic growth; and then, third, what we might do for middle-class tax relief, for those who earn between $20,000 and $80,000 a year, those who have been burdened with taxes and spending and to whom in reality this package is geared because they have been the forgotten ones among those who have benefited in the last few years.

As I said, Mr. Speaker, our economy is in a mess, and it needs more than just a jump start to get it going. It needs a major overhaul. What I am proposing is a 10-point plan that hopefully will be considered. My plan is broad based, with components for both immediate stimulus and long-term economic provisions. Again, it is geared toward the middle class, in the belief that sustained economic growth is only going to occur by providing tax relief and boosting purchasing power for the majority of Americans.

I will also be offering specific numbers and specific ideas on savings, on how we are going to pay for some of these programs. First, for instant stimulus it seems to me we should reduce the payroll tax for both employers and employees. That is the best anti-recessionary tool we have. A reduction will lower the cost of doing business and free up more money for expansion and job creation. It also increases the take-home pay for every worker in America. Every extra dollar that gets sent home is another dollar that will be recirculated in the economy.

This reduction would be a temporary 2-year reprieve, paid for by future military cuts to provide an instant stimulus to our sinking economy. For 2 years the cost of this program would be $26.6 billion.

Second, the Federal Reserve must push interest rates lower. The credit crunch now squeezing small and mid-sized companies is a major obstacle to economic recovery. While banks should remain wary of repeating the mistakes of the 1980's, that caution cannot come at the expense of denying credit to small business, those companies that create the bulk of new jobs in this country.

For long-term economic growth we should make the research and development tax credit permanent. Businesses that need to make long-term research commitments are being disadvantaged by the temporary nature of the pro-research tax policy. We ought to do everything we can to encourage research and development. It is the only way we are going to succeed in an increasingly competitive worldwide marketplace. This would cost for 5 years $6.2 billion.

Third, we need to make sure individual savings are encouraged. This can be achieved by allowing more people the opportunity to deduct up to $2,000 in contributions to individual retirement accounts.

Let us expand the program so that individuals making up to $50,000 or couples up to $100,000 can qualify. The cost of this program would be $10 billion over 5 years, which also, by the way, takes into account the costs associated with IRA which I will discuss later.

Our Nation's burgeoning budget deficit is one of the most damaging long-term drains on a healthy economy. It does no good to encourage individual savings only to have the Federal Government gobble them up. We have borrowed so much money over such a long period of time that long-term interest rates have no hope of coming down unless our long-term debt is reduced. As debate gets under way on an economic growth package, we have to ensure that it is budget-neutral. Furthermore, given the failure and irrelevance of the budget agreements that we have passed over the years, serious consideration needs to be given to a constitutional amendment to balance the budget, as painful as this might be and as radical a solution as it might be.

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Government spending needs to be cut. A lot of existing programs have outlived their usefulness. Given new international realities and pressing domestic needs here at home, it is appropriate to achieve additional savings by cutting the defense budget by 5 percent annually. The close to $80 billion in savings can be achieved without jeopardizing our strong national defense.

I believe this is a modest cut. It has been suggested by the chairman of the Senate Finance Committee, an additional 5 percent over 5 years.

We have had a defense budget of $300 billion every year, with $150 billion of that $300 billion essentially going toward the defense of Europe against the Soviet Union. That threat has ended.

No, we cannot recycle these dollars immediately into the economy, but it should be done on a gradual basis so that those in defense positions are not left on the unemployment line, so that our defenses are not weakened. But clearly, we have a defense windfall saving that should be applied immediately.

Another initiative: The current trade negotiations between the United States, Mexico, and Canada have much promise for improving economic growth and our trade deficit. Let us put together a good deal for America that protects the environment, that protects American jobs, that will increase commerce among the three countries, create jobs here at home, and expand export markets for American-made products.

Every time we increase exports it is more jobs for America. With Mexico, Mexico is a good partner. They want to buy our goods. They want to be our economic friend.

As we move ahead in an era where trade blocs are forming because the GATT talks, the international economic trade talks, are collapsing, let us protect ourselves and have a hemispheric-wide free trade zone, a free trade agreement, from Canada down to South America and Argentina, to be able to compete against Europe, which is uniting this year, 1992, with monetary standards, with lowering trade barriers, and a common currency, and by the Far East-Pacific Rim trading bloc, led by Japan.

It is only natural that economic competition is going to be the wars of the future. Military conflicts will decline compared to the economic disputes that will occur among nations. This makes sense to do as we proceed in developing long-term economic growth.

For middle-class tax relief America families should be given a tax credit for each child up to 18 years of age. This is the least the Government can do to help middle-class families whose earnings have stagnated while basic costs like education, housing, and health care have increased in the 1980's.

This tax cut will offset to some degree the burden families now face in meeting these basic needs.

There have been proposals of everything from a $300 tax credit to each child up to 18 years of age, $1,000 tax credit for each child, or $2,000.

This is going to cost us. For instance, if we proceed with the $300 tax credit, that will be $73 billion over 5 years.

Another initiative that we should consider is first-time home buyers should be able to withdraw savings from their IRA's without penalty. One of the biggest obstacles in home buying is coming up with the down payment.

In addition, I believe that parents should be allowed to withdraw savings from their IRA's without penalty to help pay for their children's college tuition.

In addition, we need to make the Nation's wealthiest pay their fair share to Uncle Sam. The tax policies of the 1980's have demonstrably shifted the tax burden onto the middle class and away from our Nation's top income earners. That needs to change in the 1990's.

We should increase the top marginal tax rate from 31 to 33 percent for those individuals who make more than $200,000 a year. We would save $48 billion over 5 years.

Now, that is only fair. Yes, we are taxing those in the upper income bracket, but simply to correct a mistake that was made in the tax cut fever of the 1980's that cost this country enormously. The rich got away with paying less tax than the middle class.

What we are trying to do is just make that equitable, raising the rate from 31 to 33 percent. That is modest, and that is only fair.

Quite clearly, more tax relief is needed for America's middle class, ignored by many of us over the last decade. Making our tax system more progressive for Americans who make between $20,000 and $80,000 a year has to be an immediate priority and objective. It is only a matter of fairness. It is a matter for economic growth.

Even Henry Ford, the early 20th century titan of the auto industry, understood that if he wanted to sell more Model T's, he needed to pay a decent wage so workers could afford them. That wisdom would serve us well as America prepares for the 21st century.

Most important, the plan that I have outlined does not increase the Federal deficit, and may actually save a few dollars.

I estimate my tax cut proposal would cost approximately $116 billion over the next 5 years. However, my combination of tax savings and spending reductions would save approximately

$128 billion, which would give us a net gain of $12 billion.

While these figures represent ballpark calculations, I am confident that the overall plan that I have outlined would be budget neutral, which must be a critical component of any economic plan.

Mr. Speaker, I think, like many other Members of this body, I am willing to consider a capital gains tax cut. But it should not be just a bonanza for the wealthy, for the corporate structure. It should be targeted once again to the middle class. It should apply to new investment, new job opportunities.

I think this is something that is credible. But not the proposal the President has outlined, which I think is clearly a bonanza for the wealthy. But a capital gains tax cut closely targeted, geared to the middle class, geared to jobs and new investment and new opportunities, clearly is in order.

Mr. Speaker, some other ideas. I think that if we look ahead in the future we have to start investing in mass transit. We have to create State, Federal, and local partnerships, to build light rail lines for urban and rural areas lacking mass transit. We have to support high-speed rail for passengers and freight.

These programs would reduce pollution, gridlocks, and dependence on oil imports. These are some new investments that we look at for the future.

We should also boost research and development. Let us have more resources to support private research into new technologies, to provide special assistance and resources for research into alternative energy sources, including solar electricity, wind, biomass, and geothermal. We clearly do not have an energy policy in this country.

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A good energy policy will make us save money and promote economic growth. Let us phase out also subsidies for borrowing. Thanks to the deduction for mortgage interest, we Americans have bought far larger and expensive houses. The result has been high household debt and low savings.

We should consider sharply lowering the cap on mortgage deductions, which currently allow full deductibility for interest payments on debt of up to $1.1 million on two homes. We need to invest in education and job training. We have to guarantee access to college and vocational training for all who qualify regardless of ability to pay. Let needy students pay for their education with public service after graduation or through small paycheck deductions in the future. And we have to once again make smart, as I said before, smart defense cuts.

Carefully planned reductions in the long haul could amount approximately to $50 billion savings a year.

Mr. Speaker, I have outlined a 10-point plan plus a few more ideas. Separately each one of my 10 points would have only minimal effects on the economy, but collectively I believe that my plan will go a long way toward improving the Nation's economic health, both in the short term and over the long haul.

Mr. Speaker, as we move ahead in these important days, I think it is important that we have an economic package quickly, that we do it in a bipartisan spirit. I think the President has to set the tone. If he comes out swinging on the 28th, blaming the Congress for all his problems, gives unrealistic deadlines, and proceeds to act in a partisan manner, I believe that the response from those in the Congress that want to have bipartisanship, that want to deal with the economy, is not going to be positive. So the President, it is in his court, what he does, and we will respond with sound economic planning of our own.

CREDIT CRUNCH RELIEF ACT OF 1992

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York [Mr. LAFALCE] is recognized for 60 minutes.

Mr. LAFALCE. Mr. Speaker, today I am introducing the Small Business Credit Crunch Relief Act of 1992.

Over the past few months, much talk and concern has been directed toward the effects of a widespread and deepening credit crunch. The simple fact is that lower interest rates cannot help us out of the recession, if banks and other lending institutions do not make loans. Nowhere is this a bigger problem than in the small business sector.

Much of our current unemployment can be attributed to the loss of jobs in Fortune 500 firms as we read almost daily of new layoffs in staggering numbers by these giant transnational corporations. The President has recently recognized this situation by remarking that future employment growth in the American economy must come from the small business sector.

Historically, small business has been the sector of our economy which has been the Nation's job creator. In fact, newly released data from the Bureau of the Census shows that small business' share of employment in the United States increased by 3 percentage points in the period of 1982–87. In other words, more people depend upon the small business sector for employment than they do any other segment of our economy.

In the current economic environment, the SBA 7(a) loan guarantee program is proving its worth as never before in history. Indeed, the program is now becoming so attractive to lenders that it will run out of money sometime this summer, unless emergency action is taken. The present funding level of $3.5 billion annually is wholly inadequate to meet today's needs.

Therefore, I am calling today for an immediate increase of $1 billion in guarantee authority each year for the next 3 years, starting now. This would allow SBA to guarantee $4.5 billion in 7(a) loans this year, $5.5 billion in 1993, and $6.5 billion in 1994.

According to press reports this week, the White House is now prepared to support another increase in continued unemployment benefits. I certainly want to assist the victims of prolonged unemployment. But I believe that a loan is better and cheaper that an unemployment compensation grant. We should permit the small business community to remove American workers from unemployment roles by helping small firms provide an increase in employment in the private sector.

I have written to the President urging his support for an increase in the SBA guaranteed loan programs. The time for action is now. It is time to match rhetoric with substance; it is time to go beyond lip service and actually provide some much needed resources to help small business grow and prosper. For the information of my colleagues, I am attaching a copy of my letter to President Bush.

I urge all of my colleagues to consider the expanded role which can be played by the Small Business Administration guaranteed loan programs in creating additional jobs for this country. I anticipate that the Small Business Committee will hole hearings next month on my proposal, along with the President's budget request for SBA funding.

The text of the letter and bill follows:

COMMITTEE ON SMALL BUSINESS,
Washington, DC, January 24, 1992.

The PRESIDENT,
The White House,
Washington, DC.

DEAR MR. PRESIDENT: We are all concerned about the deteriorating state of our Nation's economy. Many proposals have been advanced which have an initial high price tag to implement; but as we explore these proposals, I hope the Congress and the Administration can reach agreement on an affective course of action.

As part of this process, I am proposing an extremely cost-effective approach that will provide greatly needed financial assistance to the American small business sector at a time when many firms are being devastated by the ongoing credit crunch. I believe this proposal deserves your immediate attention and active support.

As you have said, it is the private sector, and particularly the small business community, which must lead us out of this recession. Small business has long been regarded as the country's job creator and, if given the opportunity, can assist us once again in economic development and job creation. In order to do, this, however, small firms need access to capital, and in today's economic climate sufficient funding is simply not available from the private sector.

I believe that the Small Business Administration (SBA), through its loan guarantee programs, can help fill this need. Unfortunately, the demand for SBA loan guarantees today exceeds available funds; thus worthwhile small businesses are not receiving the financial help they need, and our citizens and the country are suffering the consequences.

This is a tried and tested program which has proven its worth. It is available only when firms cannot get the needed financing from the private sector without the SBA guarantee.

In other words, the 7(a) program is perfectly designed to address problems associated with the current credit crunch. As a result, demand for the SBA program is running more than 20 percent above last year's levels—and unless action is taken soon, the program will run out of money this summer.

Therefore, I have today introduced legislation to increase the amount of SBA guarantee authority under the section 7(a) program in the current fiscal year to $4.5 billion this year, to $5.5 billion in 1993 and to $6.5 billion in 1994.

These increases can be provided at a minimal cost to the Federal Government—$330 million over 3 years would enable the private section to make a $100,000 loan to 60,000 small businesses. These costs will, of course, be more than compensated by the returns to our economy and to the Treasury from increased tax revenues which will result from the growth of healthy small businesses.

I believe that it is essential that we begin this process of providing more capital immediately. We cannot wait until the start of a new fiscal year as small businesses are dying daily due to lack of money. The time for action is now. This is an emergency situation. We could provide $100,000 loans to 10,000 small businesses within the next few months at a cost of $55 million. But we must act now. To delay will cause irreparable harm.

I respectfully request that you submit a supplemental request for fiscal year 1992 without any further delay and join with me in calling for larger budget increases for fiscal years 1993 and 1994 for the Small Business Administration's 7(a) program and also for the development company guarantee programs.

With best wishes,

JOHN J. LAFALCE,
Chairman.

H.R. —

This Act may be cited as the "Small Business Credit Crunch Relief Act of 1992".

SEC. 2. Section 20 of the Small Business Act (15 U.S.C. 631 note) is amended—

(1) by striking paragraph (2) of subsection (e) and inserting in lieu thereof the following:

"(2) For the programs authorized by this Act, the Administration is authorized to make $5,303,000,000 in deferred participation loans and other financings; and of such sums, the Administration is authorized to make $3,500,000,000 in general business loans as provided in section 7(a), $53,000,000, in loans as provided in section 7(a)(12)(B), and $750,000,000 in financings as provided in section 7(a)(13) and section 504 of the Small Business Investment Act of 1958.",

(2) by striking paragraph (2) of subsection (g) and inserting in lieu thereof the following:

"(2) For the programs authorized by this Act, the Administration is authorized to make $6,405,000,000 in deferred participation loans and other financings; and of such sums, the Administration is authorized to make $5,500,000,000 in general business loans as provided in section 7(a), $55,000,000 in loans as provided in section 7(a)(12)(B), and $850,000,000 in financings as provided in section 7(a)(13) and section 504 of the Small Business Investment Act of 1958.", and

(3) by striking paragraph (2) of subsection (i) and inserting in lieu thereof the following:

"(2) For the program authorized by this Act, the Administration is authorized to make $7,508,000,000 in deferred participation loans and other financings; and of such sum, the Administration is authorized to make $6,500,000,000 in general business loans as provided in section 7(a), $58,000,000 in loans as provided in section 7(a)(12)(B), and $950,000,000 in financings as provided in section 7(a)(13) and section 504 of the Small Business Investment Act of 1958.",

SEC. 3. In addition to amounts otherwise authorized by law, there are hereby authorized to be appropriated to the Small Business Administration for salaries and expenses of the Administration to carry out the debenture and loan guarantee programs authorized by section 2 of the Small Business Credit Crunch Relief Act of 1992, the following amounts: for fiscal year 1992, the sum of $6,000,000, for fiscal year 1993, the sum of $12,000,000, and for fiscal year 1994, the sum of $17,000,000.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. ALLEN) to revise and extend their remarks and include extraneous material:)

Mr. BURTON of Indiana, for 60 minutes each day, on January 27, 29, 30, 31, and February 3, 4, 5, and 6.

Mr. DANNEMEYER, for 60 minutes each day, on January 28 and 29.

(The following Members (at the request of Mr. MONTGOMERY) to revise and extend their remarks and include extraneous material:)

Mr. MAZZOLI, for 5 minutes, today.

Mr. ANNUNZIO, for 5 minutes, today.

Mr. RICHARDSON, for 60 minutes, today.

(The following Members (at the request of Mr. RICHARDSON) to revise and extend their remarks and include extraneous material:)

Mr. THORNTON, for 60 minutes each day, on January 28 and 29.

Mr. BONIOR, for 60 minutes each day, on January 29, February 4, 5, 11, 12, 18, 19, 25, and 26.

Mr. RICHARDSON, for 60 minutes each day, on January 29, February 4, 5, 11, 12, 18, 19, 25, and 26.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

(The following Members (at the request of Mr. ALLEN) to revise and to include extraneous matter:)

Mr. MICHEL.

Mr. IRELAND.

Mr. MARTIN.

Mr. BROOMFIELD in three instances.

Mr. YOUNG of Florida in two instances.

(The following Members (at the request of Mr. MONTGOMERY) and to include extraneous matter:)

Mr. LEVIN of Michigan.

Mr. HAMILTON.

Mr. HERTEL.

Mr. FASCELL in two instances.

Mr. STARK in four instances.

Mr. YATRON.

Mr. HARRIS.

ADJOURNMENT

Mr. RICHARDSON. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 12 o'clock and 3 minutes p.m.), under its previous order, the House adjourned until Tuesday, January 28, 1992, at 12 noon.